

**MAYOR SYLVESTER TURNER
TRANSITION COMMITTEE ON TAX INCREMENT REINVESTMENT ZONES**

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Executive Summary

Purpose, Process and Summary

During his campaign, Mayor Turner pledged to open a critical discussion on the effective use of Tax Increment Reinvestment Zones ("TIRZs", and each a "TIRZ"). The Transition Committee on TIRZs (the "Committee") was tasked with providing Mayor Turner an evaluation of, and policy recommendations concerning the effectiveness of TIRZs, the ability of TIRZs to undertake additional funding responsibilities, opportunities for Community partnerships, and/or other TIRZ issues deemed important by the Committee.

TIRZs are one of several tools used by the City of Houston (the "City"), Harris County, and other taxing jurisdictions to stimulate economic development. Each TIRZ is the product of unique circumstances, with unique goals and characteristics. TIRZs have different project plans, start and end dates, budgets, revenues, community expectations, and boundary size. Additionally, all are in different stages of implementing their capital improvements plans ("CIPs"). Therefore, when assessing the City's TIRZ program as a whole, it is important to note that not every recommendation in this Report would necessarily apply to all TIRZs.

A TIRZ is created either by petition of the residents ("Petition TIRZ") or by the City of Houston ("Non-Petition TIRZ"). There are twenty-seven (27) TIRZs in the City, of which, ten (10) are petition and seventeen (17) are non-petition. A list of all TIRZs and a map showing the boundaries of each are attached to this Committee Report as Exhibit A and Exhibit B respectively.

Over the course of January and February 2016, the Committee met weekly, in person. During the weekly meetings, the Committee members had the opportunity to engage in a comprehensive discussion on TIRZ issues and to receive diverse perspectives from a multifaceted group of stakeholders. Panelists (including TIRZ administrators, TIRZ Board members, community residents, City staff, developers, and technical and legal experts) met with the Committee to discuss various topics. A list of all panelists and others who met with the Committee is attached to this Report. Panel discussions were designed to be interactive, allowing Committee members to have open discussions with the panelists and to properly assess the issues. Some panelists provided additional feedback to the Committee after the meeting. The Committee took their input into account in drafting this Report and making its recommendations. Following each panel discussion, the Committee identified specific issues to focus on. Through this process the Committee narrowed its review to areas of increasing

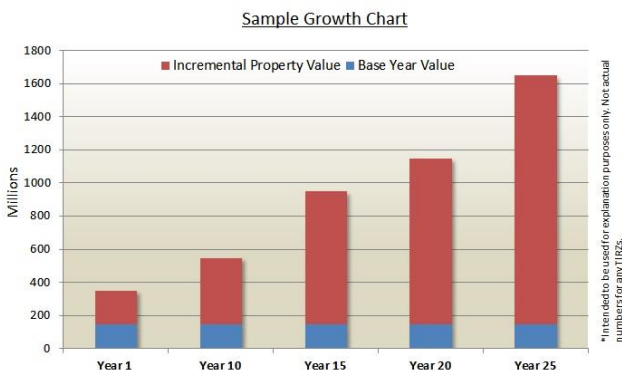
funding flexibility, creating a City-wide vision, maximizing TIRZ effectiveness and improving public outreach, transparency and public perception.

The Committee formed four Subcommittees (each a “Subcommittee”), to address those issues. Each Subcommittee met weekly, in addition to the plenary Committee meetings. They met with stakeholders and individuals to better understand the issues at hand and then developed feedback to present to the full Committee. A list of those stakeholders and individuals is attached to this Report. The Committee then prepared this final Report based upon the Committee's adopted recommendations. In several instances, Committee members or panelists identified certain issues that dealt with TIRZs to some degree, but were ultimately outside the scope of this Report. Significant time was spent discussing affordable housing needs in TIRZ neighborhoods and such topic is discussed further in this Report. However, many affordable housing issues are beyond the scope of this Report and should be analyzed by the Housing Committee. Similarly, the Committee recognizes that TIRZs and Management Districts often coexist in the same area and are sometimes managed by the same staff. However, Management Districts are fundamentally different from TIRZs, and an evaluation of how these entities interact is beyond the scope of this Report.

This Report provides background information on TIRZs, an overview of the issues considered by the Committee, and the findings and recommendations of the Committee. However, we have not provided a primer on TIRZs, which is beyond the scope of this Report. A more technical explanation on TIRZs can be found at <http://www.houstontx.gov/ecodev/tirz.html>.

Background information on TIRZs

TIRZs are one of several tools in Houston’s economic development tool kit to finance a variety of capital improvements including, but not limited to, neighborhood infrastructure, drainage, land acquisition, demolition, utilities, street reconstruction and expansion, curbs and sidewalks,



park improvements, street lighting, landscaping, and other special capital projects. By statute, TIRZs are created to eliminate blight, encourage commercial and residential development, promote neighborhood stability, and improve overall quality of life for their residents. TIRZs generate capital for such projects by using tax increment financing, capturing

the incremental increase of tax revenues within each TIRZ from participating taxing units over a certain term of usually 20-30 years.

At the inception of a TIRZ creation, the Base Year Value, which is the appraised value of properties within the original TIRZ boundaries, is established. As time progresses, property values may rise above the Base Year Value due to new construction, improved infrastructure, industrial development or other economic factors. Such increase in property value is commonly referred to as the "Incremental Property Value" and the tax collected from the Incremental Property Value (the "Tax Increment") is used by TIRZ boards to be reinvested within the TIRZ district to further its capital goals. The tax revenue from the Base Year Value at the then current tax rate continues to be collected by the City. Tax Increment is created without raising tax rates and without shrinking the Base Year Value. Capturing the Tax Increment enables the TIRZ district to pay for capital improvements without relying on other City funding or having the City issue other forms of debt that could put the City's general fund at risk. To the extent taxing units other than the City participate in a TIRZ, additional revenues are generated to fund TIRZ projects.

For Petition TIRZs, at least one-third of the tax increment must be used to provide affordable housing. Those funds are transferred to a City fund that are used for affordable housing on a City-wide basis, and are used at the discretion of the City. In 2015, TIRZs contributed \$15.7 MM to the City's Affordable Houston Project to fund affordable housing. The City's non-grant based affordable housing funds come from the ten (10) petition TIRZs (because they are statutorily required to use one-third of their increment towards affordable housing). Of those ten (10) Petition TIRZs, less than half contribute the majority of the funds used for such housing.

Over time, various mayors have emphasized different priorities for TIRZ funding, which is reflected in a diverse array of TIRZ project plans for different TIRZ areas. Most TIRZs have used their debt capacity to pursue goals approved by the City Administration at the time the TIRZ project plans were approved. Consequently, TIRZs may not have further debt capacity to pursue other capital goals.

TIRZ funds are outside the charter-prescribed so called "City Revenue Cap". Consequently, any transfer of TIRZ funds to the general fund would result in an overall reduction in funds available for City projects, since funds transferred into the general fund would necessitate an offsetting reduction in property tax revenue.

The Committee recognized that where TIRZs are successful, property values can increase both within a TIRZ as well as outside their boundaries as a "spillover effect". Such spillover benefit

then creates additional revenue for the City's general fund. Additionally, as TIRZs become successful, they generate additional tax revenues for the City (such as sales tax and mixed beverage taxes) as well as creating a vibrant job base for TIRZ districts.

As noted above, the TIRZ system is one economic tool of many available to the City. The Committee believes the City should continue to implement TIRZ project financing, along with other economic tools at its disposal, to provide City-wide improvements on a broader community scale. Some communities that have not yet seen the value of TIRZ projects would benefit from a more diverse application of other economic tools to facilitate their development and growth.

In summary, the Committee concluded that there may be opportunities for TIRZs to provide additional economic support to the City, as well as for the City's overall CIP plan, enhanced by greater coordination and comprehensive planning. At the same time, the Committee recognizes that some TIRZ Boards could benefit from clearer governance guidelines and a significant need for the City and individual TIRZs to enhance their transparency and public understanding by committing to greater outreach to the public at large and individual TIRZ communities specifically.

Summary of Issues Evaluated

The Committee was segmented into four Subcommittees to focus on four priority issues. The following is a list of the Subcommittees, those issues and a brief explanation and recommendation on each.

1) Increased Funding Flexibility

a. Issues:

Redevelopment or development within TIRZs has a definite impact on areas outside of the TIRZ as well as on the City as a whole. The Tax Increment generated within TIRZs has the potential to stem decline, stimulate growth, and improve infrastructure within TIRZs and also in other areas. The Subcommittee analyzed two issues as it relates to increasing TIRZ funding flexibility: (i) the potential to use TIRZ funds to benefit other areas of the City and (ii) the opportunity to leverage TIRZ funds with other funding sources to benefit the City.

b. Recommendations:

- i. Consider requiring each TIRZ to enter into a Municipal Service Agreement ("MSA") to allow the City to recapture TIRZ revenue (where appropriate) necessitated by an increased demand on City services.
- ii. Consider requiring all non-petition TIRZs to either spend one-third of their increment on affordable housing projects focused within their boundaries or by contributing one-third of its increment to the City's Affordable Housing fund.
- iii. Consider pursuing legislative changes to allow more flexibility to distribute TIRZ funds within proximate non-contiguous areas and allow use of TIRZ funds outside TIRZ boundaries for City CIP projects.
- iv. Consider establishing a TIRZ grant match bank to maximize leveraging of federal, state and local resources for projects and to establish an accessible pool of revenue for use by newer/smaller TIRZs to seed initial projects.
- v. Consider encouraging more TIRZs to annex taxable and non-taxable areas immediately outside of a TIRZ boundary to decrease the number of City CIP projects and shift the funding responsibility to the TIRZ to redevelop such areas.
- vi. Consider establishing a Mayor's Advisory Council on TIRZs to serve as a planning and coordinating body for the effective use of TIRZ revenues and to ensure strategic alignment with the City's long-term goals and objectives.

2) Building a Shared Vision

a. Issues:

Opportunities exist for greater collaboration in goals, planning and project development among TIRZs, City Departments (e.g., Public Works, Houston Police Department, Housing, Parks and Recreation), Super Neighborhoods, Community Organizations, District Council Members, Mayor's office, HISD, Harris County, and real estate industry groups. Establishing good working relationships among a TIRZ Board, the TIRZ district's residents, stakeholders and the City is a critical element to making TIRZs successful.

b. Recommendations:

- i. Consider implementing policies that continue to encourage greater planning and coordination between TIRZs and City Departments in formulating each TIRZ and City CIP plans.
- ii. Consider requiring TIRZs to collaborate with Super Neighborhoods to address issues raised by Community stakeholders.
- iii. Consider requiring TIRZs to create a higher level of transparency to promote trust and collaboration among the TIRZ, the public and other City Departments.

3) Maximizing TIRZ Effectiveness

a. Issues:

A challenge for the City is establishing internal and external guidelines, goals and metrics by which the success of a TIRZ can be assessed from year to year in regard to its leadership, meeting annual objectives and effectiveness and efficiency in implementing project and financing plans.

b. Recommendations:

- i. Consider adopting TIRZ Board composition guidelines to encourage diversity in all respects such as ethnicity, gender, age, occupation and stakeholder interests.
- ii. Consider implementing an annual uniform training program for all TIRZs Board members, which can also serve as a forum for TIRZ leadership to meet on a regular basis for educational opportunities, new Board member orientation, and the sharing of best practices.
- iii. Consider requiring all TIRZs to participate in an annual Board member evaluation process.
- iv. Consider conducting a TIRZ evaluation process every two years to measure each TIRZ's progress and success.

4) Improving Community Outreach, Transparency and Perception

a. Issues:

Public perception plays a vital role in the success of a TIRZ. Accordingly, the Committee evaluated the issue of improving communication and transparency of planning, goals, and outcomes to the residents and other stakeholders of the respective TIRZ jurisdictions.

b. Recommendations:

- i. Each TIRZ should identify effective means to increase information dissemination to, and improve communication with, its constituents.
- ii. TIRZs and the City should increase efforts to establish financial transparency, share the City's "story" with Community residents and educate the public and stakeholders on tax increment financing, to include specific TIRZ goals and projects.
- iii. TIRZs should collaborate with the Community to establish a shared vision, priorities, goals and expectations.

Issue Analysis

Subcommittee 1: Increased Funding Flexibility

Marvalette Hunter, Larry Blackmon, Baine Herrera, Adrian Patterson, Carla Brailey

During the course of the Committee and Subcommittee meetings, questions and concerns arose specifically in regards to using TIRZ funds in other areas of the City that require additional resources. Committee members wanted to know, with the increased demand that TIRZs place on City services as the area redevelops, how might the City require them to contribute a part of their incremental revenue to support incremental City services (i.e. police and fire needed as a result of development). Subcommittee 1 was also tasked with developing policy recommendations that help to increase the flexibility of TIRZ funding to benefit the City as a whole outside of its geographic boundary, especially where the TIRZ creates an added demand on the City's resources. To this extent, the Subcommittee set out to do the following:

- Evaluate the potential to use TIRZ funds to benefit other areas of the City by contributing to the general fund.; and
- Identify opportunities to leverage TIRZ funds with federal, state, and local funding for the benefit of the City and other TIRZs.

The Subcommittee proposed the following policy recommendations. Through policies that encourage strategic alignment and greater collaboration, each TIRZ may meet its objective while also financially benefitting the City as a whole.

1. Compensating City Services through Municipal Service Agreements.

As redevelopment occurs within a TIRZ, increased demand is placed on City services, including police and fire. Accordingly, the City should consider requiring each TIRZ to enter into an MSA with the City to apply incremental revenue toward the costs of incremental services necessitated by TIRZ redevelopment placing an increased demand on City services. To ensure equity, the City should establish a criteria and methodology to measure incremental demand as a result of increased population, traffic, growth, and development in these areas. Determining what costs a TIRZ should pay under an MSA should take into account inflation and increased costs of services over time. Such demand and MSAs should be re-evaluated annually and modified if necessary to ensure revenues received from TIRZ increment are appropriate. The Committee acknowledged that some TIRZs may not be able to pay incremental revenue to the City immediately based upon their current financial situation. In those cases, the MSA could provide for some type of forgiveness period until those TIRZs can establish a more significant increment to contribute.

Moreover, the Committee recommends the measure of demand should take into consideration the average growth rate of the City of Houston in non TIRZ areas to accurately assess the demand being created by TIRZ development. TIRZs should not be able to fully claim increment and retain incremental revenues for general growth of the City that may possibly have occurred if the TIRZ did not exist. A portion of this increment could be recaptured by MSAs to help support the City's general fund and the increased demand for City services. The Committee noted that some TIRZs have already entered into MSAs with the City, thereby paving the way to implement this recommendation for all TIRZs without too much difficulty.

2. Recognizing Affordable Housing as one of the Priorities.

There is a correlation between the success of a TIRZ and the potential adverse effects on the availability of affordable housing due to increasing land value and market conditions. As a statutory requirement, petition TIRZs already contribute one-third of their increment to City affordable housing. Those funds are transferred to a City fund that are used for affordable housing on a City-wide basis, and are used at the discretion of the City without input from the contributing TIRZ. The Committee recommends that the City consider expanding this requirement to all TIRZs, thereby requiring all non-petition TIRZs to either spend one-third of their increment on affordable housing projects focused within their boundaries or by contributing one-third of its increment to the City's Affordable Housing fund. If a TIRZ elects to use its funds for affordable housing projects within its boundaries, it should coordinate such projects with the City's Housing and Community Development Department to ensure that all affordable housing projects, whether funded by the City or the TIRZs, are developed in a manner consistent with the City's vision and comprehensive plan. The City should consider developing flexible guidelines for such TIRZ affordable housing projects, with the appropriate level of location due diligence, to promote redevelopment in areas that will encourage social, educational and economic benefits for the residents.

The Committee also suggests that the City consider using more transparent reporting practices with the City's Housing and Community Development Department's Affordable Housing Report showing where, when and how TIRZ housing funds are used. The Report could include detailed line item explanations for the expenditures and provide a quantifiable measure of the number of affordable housing units produced.

Implementing these recommendations would not require legislative action. City Council could adopt a resolution requiring all TIRZs to use one-third of their increment towards affordable housing. Moreover, adopting these recommendations will communicate to the public that affordable housing is a high priority for the City and that TIRZs can and should play a significant role in helping to increase the supply of affordable housing.

3. Leveraging Federal, State and Local Grant Funds.

The City should promote greater collaboration between the City, County, State, and Federal Government to leverage resources. Additionally, the City should seek opportunities to make joint applications for grant funding and increase the participation of the County and other taxing jurisdiction in TIRZs where the City, County, and such jurisdiction have a vested interest.

4. Grant Match Bank.

The City should consider establishing a TIRZ Grant Match Bank with each TIRZ contributing a percentage of their increment. Funding in the TIRZ Grant Match Bank would be used to leverage Federal, State, and local grants. An example of this Match Bank has been implemented in Dallas and proved successful in helping the City access additional grant funding. Monies in the Match Bank could also be applied for and granted to TIRZs for development projects that would yield the greatest benefit to the City and enhance local neighborhoods with unresolved blight or poor infrastructure.

5. Allow TIRZs to Develop Areas Immediately Outside of TIRZs Boundaries.

The Committee identified an issue with undeveloped areas immediately outside of a TIRZ boundary. Because TIRZs are required to fund and develop capital projects only within their boundary, some areas, (both taxable areas and non-taxable Right of Way ("ROW")), which are within close proximity to a TIRZ boundary are not able to obtain TIRZ infrastructure funding. The burden of improving those areas outside a TIRZ boundary falls on the City. However, the Committee encourages the City to analyze the value of annexing certain areas into TIRZs when capital improvement opportunities arise or needs are determined and where the cost of such improvements could be funded by the TIRZ. A cautionary note however is to ensure that taxable (as well as non-taxable) additional property is annexed to provide additional incremental revenue for the TIRZ to leverage for funding such improvements. If only non-taxable ROW is annexed then the TIRZ's ability to finance such additional improvements is severely limited. Clearly, the annexation of additional taxable property into a TIRZ would require neighborhood input, coordination and shared vision for such improvements. If this can be accomplished effectively it will reduce the need for dollars from the general fund being allocated for such projects. If however, City CIP projects are reassigned to a TIRZ, other TIRZ projects might be delayed unless the City is willing to extend the term of the TIRZ to create new future capacity for funding deferred projects.

However, implementing this recommendation will require legislative action on the State level. The Committee did not undertake a detailed analysis of the actual legislative changes that would be needed.

6. TIRZ Effectiveness Towards Meeting the Mayor's Vision.

The Committee recommends that the City consider establishing a Mayor's Advisory Council on TIRZs. Such Advisory Council could serve as an oversight body to review TIRZs effectiveness and ensure strategic alignment with the Mayor's vision and the City's goals and objectives. The Advisory Council would aid the City in proactive planning for the use of TIRZ revenues that the City receives and provide transparency and accountability for those resources. The Advisory Council could also serve to increase public education and awareness about TIRZs and assist with increasing public engagement in the development and implementation of TIRZ project plans.

Subcommittee 2: Building a Shared Vision

Doreen Stoller, Leah Barton, Daniel Ramirez

Coordination of ideas and plans would help to improve the impact and efficiency of TIRZs and City projects by minimizing duplication of effort and reducing conflicts during construction. The City has sought to increase coordination between all of its departments, making particular progress in coordinating TIRZ plans with the City's Public Works and Engineering Department's ("PWE") CIPs. However, greater alignment of TIRZ projects to a strong central vision or other planning efforts would maximize the value of TIRZ investments. By blending the knowledge, skills, and expertise of TIRZs management and other City and Community organizations, a more efficient system can be created to advance the City's goals and vision.

This Subcommittee was assigned the task of recommending methods that allow for collaboration between TIRZs, the public and the City's departments and organizations. The Subcommittee recommends the following: (1) Continue implementing policies that encourage planning and coordination between TIRZs and City Departments in formulating each TIRZ and City CIP plans, (2) Consider enhancing coordination between TIRZs and Super Neighborhoods, and (3) Consider requiring TIRZs to create a higher level of transparency to promote trust and collaboration among the TIRZ, the public and other City departments.

1. Planning and Coordination.

TIRZs planning and coordination with PWE, which is the City's department involved with administration, planning, maintenance, construction management and technical engineering of the City's infrastructure, has been quite effective. The Committee recommends that the City implement a comparable process for planning and coordination between TIRZs and other City departments, particularly Parks and Recreation.

An issue common to both City CIP projects and TIRZs is the lack of adequate coordination with public utilities, which can create issues during construction. Although analyzing the City's

Franchise Agreements with Utilities is outside the scope of this Report, the nature of the City's Franchise Agreements appear not to require such Utilities to coordinate with PWE or TIRZs when implementing projects, which can then necessitate revisions to PWE or TIRZ plans, causing project delays and additional expense. These conflicts could be avoided through better collaboration between the City, the Utilities and the TIRZs during the planning stages.

As noted in the Funding Flexibility section above, the ability of TIRZs to annex ROWs would grant the TIRZs and the City greater flexibility in coordination of projects, further optimizing TIRZ investment.

While Plan Houston has aggregated numerous plans created by public, private, and nonprofit entities, these are not yet integrated and clear City-wide priorities are still needed. The Planning Department and the Mayor's office can help analyze these plans, extract prioritized elements, and create outreach strategies to promote them, which would improve the alignment of all investment activity in the City including TIRZ efforts.

2. Coordination with Super Neighborhoods and within Council Districts.

Houston is divided into 88 geographically designated areas called Super Neighborhoods, which allow residents, civic organizations, institutions, and businesses to identify, plan and set priorities to address the needs and concerns of their Community. These organizations are very active and should serve as an excellent resource for TIRZ planning and implementation.

Super Neighborhoods have historically prepared Super Neighborhood Action Plans ("SNAPs"). In preparing a SNAP, the Community prioritizes various Community issues submitted by the residents. Based on those priorities, plans are submitted to the City to help establish the City's CIP priorities. Issues that may be highlighted within a SNAP include street repairs, improved lighting, widening of roads, drainage, improvements to parks, and other public priorities. Individual Super Neighborhoods and the Super Neighborhoods Alliance provide a valuable resource for TIRZs to help identify Community priorities.

The Committee recommends TIRZ leadership work more closely with Super Neighborhoods (where collaboration is lacking) to acquire information about Community priorities, goals and vision.

Since City CIPs are established at a Council District level, an additional opportunity to solicit community input could be the creation of District-wide community forums featuring all relevant CIPs, TIRZ plans, and SNAP details affecting the District.

3. Increased Transparency.

A common topic brought up by most panelists was the need for more transparency of TIRZs goals and priorities. It is important for TIRZs to communicate detailed reports such as a comprehensive annual expense report that shows each transaction line-by-line. These reports should be simple to understand and easily accessible to the public. Accordingly, the Committee suggests the City consider materially upgrading the City's website for all TIRZs for the public to access detailed reports, budgets, meeting times, priorities, goals, current, past and future projects, and any other important TIRZ information. Such data, for most TIRZs, is uploaded online but scattered in different areas, making it difficult as well as time consuming to locate for the average Community leader, developer or interested citizen. Creating a "one-stop shop" that has comprehensive details of all TIRZs plans and activities will help foster public engagement and trust.

Subcommittee 3: Maximizing TIRZ Effectiveness

Tiffany Hogue, Sanjay Bapat, Zoe Cadore

Board members play a vital role in the success of a TIRZ because they are tasked with steering the organization to establish policy for the TIRZ, setting priorities for capital improvement projects, providing fiscal oversight of plans, budgets and financings and facilitating outreach and inclusion for all stakeholders. TIRZ Board Members should be recognized for the volunteer service that they provide to the City. The task of this Subcommittee was to analyze avenues to make TIRZ Boards more effective and to achieve the City-wide goals for each particular TIRZ, consistent with the City's overall infrastructure needs and plans. This Subcommittee made four key recommendations in the following areas: (1) guidelines for Board composition, (2) Board training, (3) Board member evaluation and (4) evaluating TIRZs.

1. Guidelines for Board Composition.

Under the current system, TIRZ Board members are recommended to the Mayor by District Council Members and confirmed by City Council to two-year terms. The Board terms are staggered, which means that every year at least one Board seat of a TIRZ will be open for re-appointment. Currently, there are no formal criteria for minimum Board member qualifications or guidelines for TIRZ Boards. There are also a number of vacancies on TIRZ Boards across the City.

The Subcommittee suggests that the Mayor consider adopting clear guidelines to encourage Board diversity taking into account ethnicity, gender, age, occupation, and stakeholder interests. Diversity is essential to a TIRZ's success to encourage an open dialogue and a range of

perspectives, backgrounds and interests, thereby promoting creativity and innovation. The organization's benefit of diverse but collegial participation will foster the mission, and increase understanding of constituents and advance Community needs. Moreover, a diverse Board is likely to attract a larger number of interested Community members, and increase TIRZ support. Additionally, the Subcommittee recommends encouraging Community input into the nomination of prospective TIRZ Board members. TIRZ management should be encouraged to implement a resume collection bank to ensure stakeholders from each TIRZ area have the opportunity to be evaluated as a candidate to serve on their respective Boards.

The Committee recognizes the fine work and dedication of so many TIRZ Board members within the twenty-seven (27) TIRZs in the City. As Board membership comes up for renewal or as open seats are filled, the City should ensure that Board members are responsive to their communities, understanding of the overall CIP plan, have no personal agenda or appearance of a conflict of interest and have the necessary leadership skills and talents to balance Community interests.

2. Board Training.

Board members, old and new, would benefit from an annual formal training process. Forming the perfect blend of new and old members to create a well-functioning team with diverse perspectives and vision is not an easy task. However, without training and orientation, newer Board member may be disadvantaged (and thus the effectiveness of the TIRZ impaired) if Board members do not understand a TIRZ's vision, how a particular TIRZ vision fits into the City's overall planning process and fundamental TIRZ operations and processes. Both, fresh perspective and years of experience are needed for a TIRZ Board to be successful. As a City-wide initiative, there must be a commitment to develop well-informed TIRZ Board members and to continually upgrade the level of skill and knowledge in order to lead an efficient TIRZ organization.

The Committee recommends an annual Board training and orientation program. Board members from all TIRZs would be invited to network, share best practices, and learn. Amongst other topics, Board members would be instructed in areas such as leadership, planning, economic development strategies, TIRZ financing and Community outreach.

Further, the Committee recommends new TIRZ Board members be required to attend Board member orientation and to familiarize themselves with TIRZ operations, expectations, policies, procedures, and the City's CIP plans.

Moreover, a program like this should create public interest and opportunities to strengthen Community support and participation.

3. Board Member Evaluation.

Equally important as Board composition is having an annual Board member evaluation. As it currently stands, Boards are not required to evaluate their Board members. Having an evaluation process would highlight areas where Board members excel as well as identify areas for improvement. In developing an effective evaluation system, the Subcommittee recommends the following:

- Dedicate resources to planning and preparing quality evaluations of Board members.
- If giving or receiving constructive feedback is a sensitive issue for the Board, it is in the best interest of the TIRZ to bring in a facilitator to aid in the evaluation process.
- Provide feedback to Board members to convey an evaluation of performance and clearly communicate future expectations.

4. Evaluating TIRZs.

Quantifying or measuring TIRZs success is not a simple task but it is essential that the City evaluate the effectiveness and progress of each TIRZ based on its budget and CIP plans. The City should consider, in addition to its annual review of TIRZ budgets, a bi-annual review of all other TIRZs fiscal matters. Among matters that would be appropriate for the City to review, the Committee recommends the following: (1) confirming that the TIRZ is in compliance with its annual budget, (2) that the TIRZ is meeting CIP target deadlines, (3) that its actual expenses are consistent with projected expenses, and (4) that it is not deferring CIPs due to a lack of funding.

Subcommittee 4: Improving Community Outreach, Transparency and Perception

Denis Braham, Sylvia Brooks, Carla Brailey, David Hamilton

The underlying and all-encompassing goal of a TIRZ is to support and guide public finance dollars for the promotion of Community redevelopment in order to build a Community that serves the needs of its residents. Successful TIRZs use the TIRZ as a tool that helps accomplish the vision and mission of the zones residents and the City. Thus, it is important that a TIRZ organization engage its stakeholders, to collaborate with them and align TIRZ goals with that of the Community and do so in a fully transparent manner.

There is no doubt that TIRZ projects can cause concern and debate within a Community. Concerns may arise over construction, prioritization, and differences about Community needs. Residents might fear that new development will cause "mom and pop" businesses to relocate to other Communities, home and rent prices to rise, or that gentrification of a Community will make livability in a particular area less affordable for middle class families. Under a similar rationale, Community residents might find a reason for concern when new residential

development is announced. Neighbors may be fearful of affordable housing being too close to their property because it may diminish property value. Additionally, some TIRZ areas have unique priorities such as preserving historical and cultural institutions that stakeholders value. Unless TIRZ management communicates a vision (in concert with the City's overall CIP plans) and provides the Community TIRZ capital project details clearly, residents may oppose a project.

Identifying these issues and promoting collaborative Community dialogue requires a comprehensive outreach plan that will lead to positive discussion and planning between the TIRZ and its Community stakeholders. TIRZ management that spends extensive time, effort, and resources in outreach usually experience higher Community support than those that do not. Below are some Committee recommendations to improve TIRZ outreach and transparency.

1. Channels of Communication.

TIRZ management should understand the demographics of its area and identify those target audiences and Community stakeholders. TIRZ management should also encourage attendance at neighborhood meetings and the creation of Community alliances. In this digital age, having a well-managed social media plan, an interactive website and communication by email are essential methods of creating a successful outreach program. However, the most efficient methods of communication are through person-to-person contact. The Committee recommends TIRZ Board members and management speak regularly at various Community meetings such as Super Neighborhoods meetings, and other Community events. Additionally, TIRZs should regularly participate in City CIP and Consolidated Plan meetings to communicate their project plans and solicit input from Community residents.

The key is to keep the Community engaged and updated about TIRZ projects through social media, flyers, postcards and magazines. It should be noted that funding for such events may be limited and the TIRZ might need financial assistance in these efforts from an overlaying Management District or from the City.

2. Education and Transparency.

TIRZ management should seek to (1) educate themselves about the Community needs and priorities and (2) educate its Community on its mission, goals, and projects. Further, the public requires a better understanding of tax increment financing to be able to support the TIRZ system as a valid economic tool for redevelopment through infrastructure and capital programs. Due to some of the public mystique and misinformation that have surrounded TIRZs and the lack of general knowledge about their value, it is common for the public to have misconceptions and negative perceptions about TIRZs. The City and TIRZ Boards need to

provide educational materials to the public on general TIF concepts. TIRZ accomplishments and benefits to the Community resulting from TIRZ projects should be publicized in simple, easy to understand messages.

The City should also undertake to "tell its story" to the public about how TIRZs benefit and help implement the City's public improvement plans. District Council members also have an important role to play in publicizing to their constituents the success of TIRZs projects in their Districts.

Establishing financial transparency and mission transparency are important steps in creating trust and support between TIRZs and neighborhood stakeholders. TIRZs should be encouraged to publicize their financial highlights, CIP plans and successes for better public appreciation of the TIRZ mission.

The Committee recognizes that some less-established TIRZs may not have the capital or resources to fund an educational outreach program. The Committee recommends the City consider sharing the costs of outreach expenses or providing a platform (e.g. a user-friendly and easily accessible website) for the City and TIRZs to create public awareness. Implementing this recommendation will benefit the City by increasing public awareness, which is likely to help TIRZs accomplish City-wide goals.

3. Prioritizing Projects.

To establish firm goals, backed by strong Community support, TIRZ management should collaborate with its residents to determine the Community's priorities. With the recognition that there will always be a large number of stakeholders with varying interests, prioritization can be a challenge. Since different Communities have different needs, the conversation between the Community and TIRZ must be transparent and the parties must be willing to compromise. Whether the Community priority is roadway infrastructure, sidewalks, or affordable housing, or whether the Community needs enhancements for parks, libraries and health centers, the TIRZ has a role to play in creating a consensus for the Community and then allocating capital dollars for agreed priorities.

The following are some best practices to consider using for a TIRZ/Community discussion:

- a) Set meeting times after work hours.
- b) Identify points of mutual interest.
- c) Provide benefits of intended projects.
- d) Manage Community expectations.

- e) Establish feasible and achievable timelines.
- f) Propose projects that are financially feasible and realistically deliverable.

Additional Issues

In the course of the Committee's work, the Committee recognized a number of issues requiring further study or issues that were outside the scope of this Report. Those issues were the following:

1. Analyze in greater depth the parameters for the development of affordable housing within all TIRZ districts.
2. Analyze the interaction between Management Districts and TIRZs.
3. Review improvements to the City's Franchise Service Agreements.
4. Analyze the process required for legislative action to allow flexibility to distribute TIRZ funds within proximate noncontiguous areas and allow use of TIRZ funds outside TIRZ boundaries for City CIP projects.
5. Analyze the opportunity for the City to collaborate with other Texas cities to create a coalition to oppose potential anti-TIRZ efforts in the upcoming 2017 State Legislative Session.
6. Analyze the opportunity for greater MWDBE involvement in TIRZ projects.

Bibliography

1. Council of Development Finance Agencies and International Council of Shopping Centers.
Tax Increment Finance Best Practices Reference Guide.
2. Icken, Andy, and Gwendolyn Tillotson. *TIRZ Workshop.*

Panelists

	First Name	Last Name	Organization
1	Horace	Allison	Director, TIRZ 25 (Hiram Clarke) Chief Development Officer, Harris County Housing Authority
2	Claude	Anello	TIRZ 13 (Old Sixth Ward)
3	Jaqueline	Bosic	TIRZ 14 (4th Ward)
4	Genora	Boykins	TIRZ 9 (South Post Oak / Pyramid Development)
5	Sally	Bradford	TIRZ 11 (Greenspoint)
6	Jamie	Brewster	TIRZ 19 (Upper Kirby)
7	Jonathan	Brinsden	CEO, Midway Companies
8	John	Breeding	President, TIRZ 16 (Uptown)
9	Mary	Buzak	Senior Assistant City Attorney, City of Houston
	Bill	Calderon	Senior Partner, Hawes Hill Calderon
10	Harvey	Clemons	Chair, TIRZ 18 (Fifth Ward)
11	Algenita	Davis	Chair, TIRZ 9 (South Post Oak)
12	Bob	Eury	President, Market Square TIRZ; President, Downtown Redevelopment Authority;
13	David	Hawes	Senior Partner, Hawes Hill Calderon
14	Ann	Lents	TIRZ 5 (Memorial Heights)
15	Frank	Liu	President, Lovett Companies
16	Clark	Lord	Partner, Bracewell LLP
17	Theola	Petteway	Executive Director, OST/Almeda Corridor Redevelopment Authority
18	Vanessa	Sampson	TIRZ 14 (4th Ward)
19	Stan	Sarman	TIRZ 10 (Lake Houston)
20	David	Turkel	TIRZ 24 (Harris County)
21	Ed	Wulfe	Chairman & CEO, Wulfe & Co.

Subcommittee Experts

First Name		Last Name	Organization
1 – Funding Flexibility			
1	Barron	Wallace	Partner, Bracewell LLP
2 – Shared Vision			
1	Bo	Fraga	President, Second Ward Super Neighborhood Council
2	Carol	Haddock	Deputy Director, Public Works and Engineering
3	Jackie	Mayhorn	Ex-President, East Little York/Homestead Super Neighborhood Council
4	Jennifer	Ostlind	City of Houston Planning Department
5	Dale	Rudick	Director, Public Works and Engineering
6	Patrick	Walsh	Directory of Planning, City of Houston
7	Jane	West	Chair, Super Neighborhood Alliance
3 – Effectiveness			
1	Jenn	Char	Ex- Director of Boards and Commissions, City of Houston
4 - Outreach			
1	Gene	Creely	Montrose Resident
2	Jim	Jard	Board member, Memorial TIRZ
3	Lisa	Johnson	Program Manager, City of Houston Parks Department
4	Dr. Rhea	Lawson	Director, City of Houston Library Department
5	Greg	LeGrande	President, Neartown/Montrose Super Neighborhood
6	Marlon	Marshall	Manager, Capital Projects Midtown TIRZ
7	Bruce	Nichols	Frostwood Super Neighborhood
8	Matt	Thibodeaux	Executive Director, Midtown TIRZ

Exhibit A

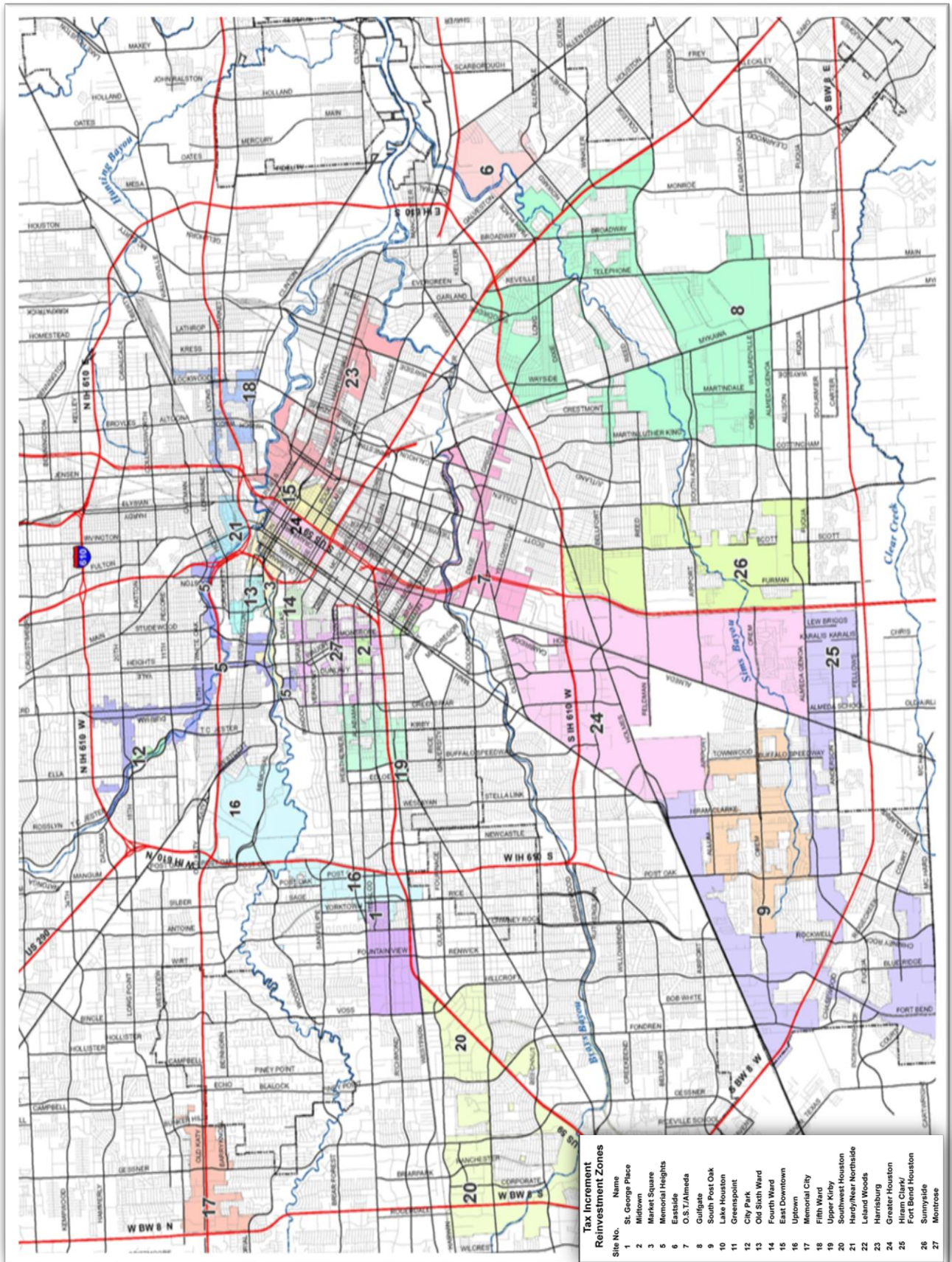
List of All Houston TIRZs

No.	Name
1	St. George Place
2	Midtown
3	Main Square / Market Square
4	Village Enclaves
5	Memorial Heights
6	Eastside
7	OST / Almeda
8	Gulfgate
9	South Post Oak
10	Lake Houston
11	Greater Greenspoint
12	City Park
13	Old Sixth Ward
14	Fourth Ward
15	East Downtown
16	Uptown
17	Memorial City
18	Fifth Ward
19	Upper Kirby
20	Southwest Houston
21	Hardy / Near Northside
22	Leeland Woods
23	Harrisburg
24	Greater Houston
25	Hiram Clarke / Ft. Bend Houston
26	Sunnyside
27	Montrose

Exhibit B

Maps of all TIRZs

Maps of all TIRZs follow this cover page.



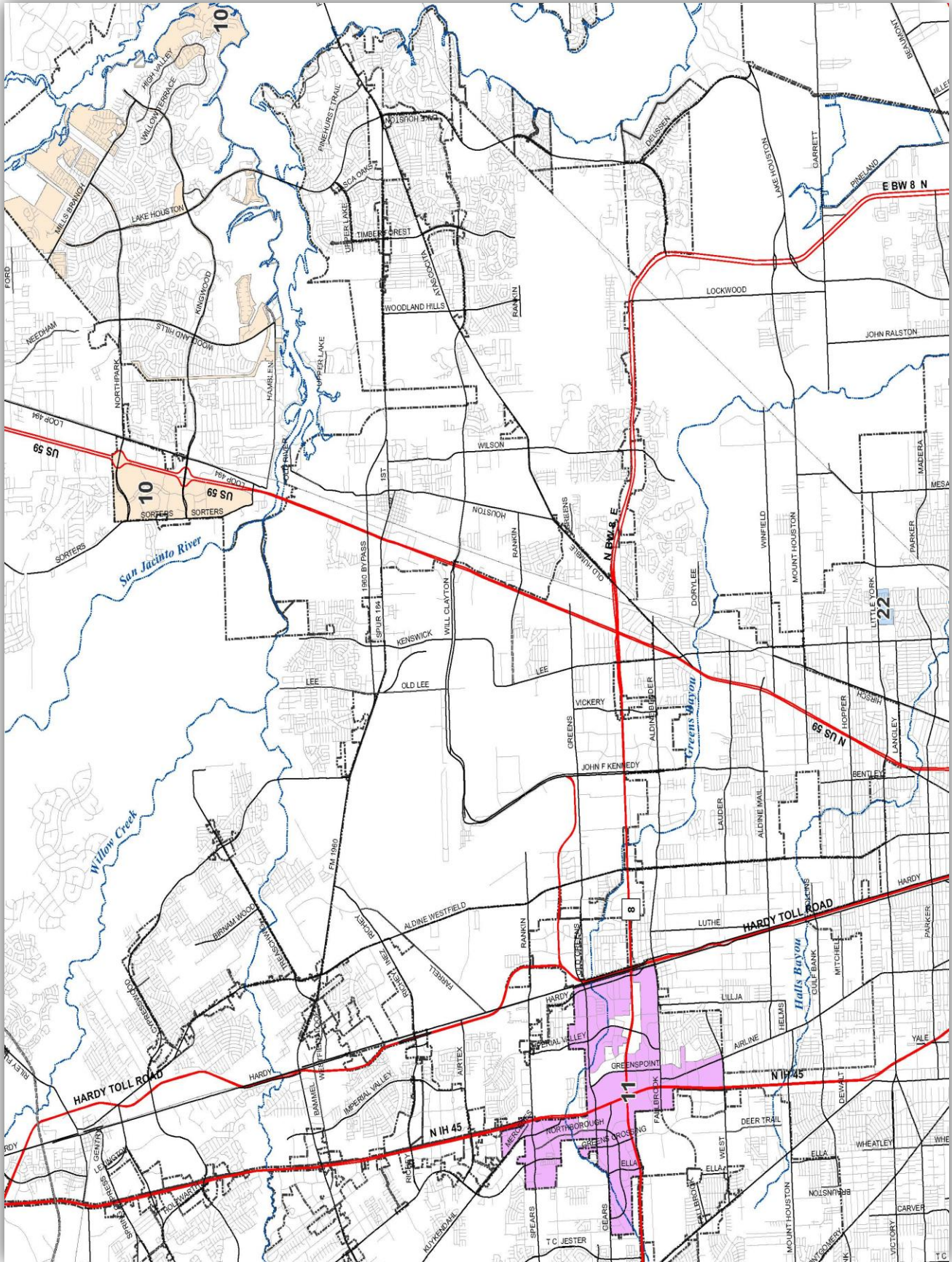


Exhibit C

Questions presented to Panelists

1. What are some of the successes that you have seen?
2. How has your TIRZ been of benefit to the area encompassed by the TIRZ and even surrounding areas?
3. What challenges have you encountered?
4. What should our Task Force know about that we might not know that would be policy issues for the City as they consider TIRZ projects in the future? Existing or new ones?
5. Are there any significant governance issues?
6. What type of orientation and training do TIRZ Board members undergo? Do you believe/observe that TIRZ Board Members are accountable to the City as City appointees?
7. Have you had to deal with public misconceptions of TIRZs? If so how are you dealing with those misconceptions?
8. Should TIRZs have a sunset requirement?
9. How helpful are TIRZs in creating affordable housing opportunities?
10. Should the City be considering any modifications on a state legislative level to TIRZ statutory powers, limitations and duties?
11. What are in your view the three biggest/priority TIRZ issues that the City should address.
12. In your experience, how has the City effectively used tax increment reinvestment zones as a catalyst to support development?
13. What legal and other challenges have you encountered? What needs “fixing” in how the program is structured and administered?
14. With the increased demand that TIRZs place on City services, how might the City go about requiring them to contribute a part of their increment to support City services (i.e. police and fire)? What are the legal issues, ramifications, and processes?
15. Some critics believe that TIRZs include growth that would have occurred without them. Is there a way to take into consideration the City’s current growth rate when establishing the base rate for a new TIRZ? Is there a way to retroactively recapture increment from existing TIRZs based upon the City growth rate in areas where no TIRZ exist?
16. What is the criteria for approving a TIRZ and how does the City define or apply the “But For” argument when approving a TIRZ or the expansion of a TIRZ?
17. Is there an effective way to evaluate the success of a TIRZ and to determine if it has met its stated goals and objectives? Once a TIRZ has met the goals outlined in its Project Plan, can the agreement with the TIRZ be modified?
18. What have we not addressed that needs addressing?